

# Pensions CIV Sectoral Joint Committee

Item no: 4

## Programme Overview and Risk Register

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<b>Summary</b>	This report provides the committee with an update on progress against the overall implementation programme plan and the opportunity to review the high level programme risk register.
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<b>Recommendations</b>	The committee is recommended to: <ul style="list-style-type: none"><li>i. Consider and note the contents of this report</li></ul>
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# Programme Overview and Risk Register

## Introduction

1. The programme overview and high-level risk register are presented to the Committee as a standing item for each meeting.

## Programme Plan

2. The current high-level programme plan is attached at Annex A.
3. Since the last meeting of the committee, there has been a particular focus on the completion and submission of the Operator Regulatory Application to the Financial Conduct Authority (FCA). This application was due to be submitted at the end of May. However, complexities around the finalisation of the governance model of the ACS, particularly relating to the appointment of the Operating Partner delayed the submission until the 26<sup>th</sup> June.
4. This delay of two weeks has inevitably set back a number of other key dates, not least of which will be the authorisation of the Operator and correspondingly, the authorisation of the fund. Despite this it is still anticipated that the CIV will be operational in the autumn and will have assets under management before the end of the year.
5. In terms of the authorisation of the fund, the two week delay in the Operator submission has pushed back the fund authorisation two weeks until the end of October. This has however given the CIV more time to finalise some of the intricacies of the individual sub-funds on the platform, possibly allowing more assets to be transitioned on to the CIV on day one.
6. A small number of technical issues surrounding 'double transparency' of the CIV as a Tax Transparent Fund (TTF) investing into another TTF has meant that some discussions with Investment Managers have taken longer than expected. However, these issues have for the most part been resolved and final discussions with managers will continue over the summer on course for the start of asset transition in the autumn.
7. Though the majority of the legal agreements remain on course, the focus on the Operator submission has potentially delayed the finalisation of the Fund Prospectus. However this is unlikely to materially impact the launch of the CIV since the delay has not exceeded our launch date.
8. Turning to a number of specific workstreams shown on the plan:
  - 1.1; the revised Articles of Association and new Shareholders Agreement are now at first draft stage and will be worked through with Eversheds and Officers across the participating boroughs with the aim of having final drafts ready for adoption by the Company Board and shareholders in the early autumn.
  - 1.2; recruitment of executive and non-executive directors is progressing well and it is expected that announcements will be made shortly, subject to successful conclusion of terms of engagement.
  - 1.5; the Company has published a specification inviting tenders for the provision of accounting services. It has still not been possible to issue invoices to the boroughs for the 2015/16 tranche of £25,000. Consideration is being given as to

whether this should now be invoiced by London Councils rather than the Company to prevent further delay.

- 2.2; as noted above the Regulatory Application has now been submitted, albeit later than planned. It would not be unusual for the FCA to request a number of meetings to clarify elements of the application ahead of authorisation.
  - 2.3; procurement of the operating partner has been completed and, subject to negotiation of final scope and value, has been awarded to Capita Asset Services.
  - 3.1; due to the additional time available because of delayed submission of the Regulatory Application project initiation with Northern Trust can now be seen as green rather than amber.
9. It remains the case that there is still a significant amount of detailed work to complete before the CIV will be authorised and able to trade. While every effort will be made to keep to the revised programme plan it is important that all the necessary systems and processes are properly designed and tested before taking on board borough assets. The Committee will continue to receive programme updates at future meetings

### **Risk register**

10. The current high-level programme risk register is attached at Annex B

11. Changes to the risk register since the last meeting are:

- Risk no. 6; in the Summer Budget 2015 the government announced that it will *“... work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.”* This is seen as a strong indication that the Government is in favour of collaborative efforts such as the London CIV in the light of which the ‘risk rating without control’ has been reduced to 8 (from 12), and the ‘risk rating with control’ has been reduced to 4 (from 8).
- Risk no. 7; this risk has been added at the request of the committee.
- Risk no. 8; this risk has been added at the request of the committee.

### **Implementation budget**

12. Following a thorough review of the implementation budget it can be reported that overall the budget is running to target at this point. While it is likely that there will be elements of unplanned expenditure over the next few months it is anticipated that the programme will remain within budget.

### **Recommendations**

13. The committee is recommended to:

- i. Consider and note the contents of this report

**Financial implications**

14. There are no financial implications for London Councils.

**Legal implications**

15. There are no legal implications for London Councils.

**Equalities implications**

16. There are no equalities implications for London Councils.

**Annexes**

Annex A      High-level programme plan

Annex B      High-level programme risk register

**Background papers**

None